

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|  |   |            |
|--|---|------------|
| APPLICATION OF NORTH NELSON WATER        | ) |            |
| DISTRICT TO ISSUE SECURITIES IN THE      | ) |            |
| APPROXIMATE PRINCIPAL AMOUNT OF          | ) |            |
| \$1,605,000 FOR THE PURPOSE OF REFUNDING | ) | CASE NO.   |
| CERTAIN OUTSTANDING REVENUE BONDS OF     | ) | 2010-00159 |
| THE DISTRICT PURSUANT TO THE PROVISIONS  | ) |            |
| OF KRS 278.300 AND 807 KAR 5:001         | ) |            |

ORDER

On April 19, 2010, North Nelson Water District (“North Nelson”) applied to the Commission for the authority to obtain a Kentucky Rural Water Finance Corporation (“KRWFC”) loan in the principal amount of \$1,605,000, subject to an adjustment of up to 10 percent. North Nelson estimates that the proposed KRWFC loan will have an 18-year term with interest rates varying from 2.250 to 4.375 percent per annum.<sup>1</sup>

As part of its application, North Nelson moves for a deviation from the provision of 807 KAR 5:001, Section 6, requiring that “[w]henever in these rules it is provided that a financial exhibit shall be annexed to the application, the said exhibit shall cover operations for a twelve (12) month period, said period ending not more than ninety (90) days prior to the date the application is filed.” However, Section 14 of that regulation permits a deviation upon the showing of good cause.

In support of its request for a deviation from 807 KAR 5001, North Nelson states that there has been no change that is material in nature in its financial condition or

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<sup>1</sup> Application, Exhibit A, Debt Service Schedule.

operation since December 31, 2009, the most recently published financial data available. Due to the volatility of the bond market, North Nelson claims that it cannot run the risk of delaying the closing of the KRWFC loan while more current financial data is gathered.

The Commission has determined that good cause for granting North Nelson's requested deviation has been presented and that there is sufficient financial information in the record to render a decision regarding the proposed financing.

The proceeds of the KRWFC loan will be used to refund the outstanding revenue bonds designated as the North Nelson Water District Water System Revenue Bonds, Series 1998 ("1998 Series Bonds"), bearing interest rates that vary from 4.20 to 5.25 percent per annum with an outstanding principal balance of \$1,955,000.<sup>2</sup> North Nelson estimates that its proposed refinancing will result in total gross savings and net present value savings of \$750,391 and \$95,612, respectively.<sup>3</sup>

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that North Nelson's proposal to obtain the KRWFC loan, as described herein, for the purpose of refinancing the 1998 Series Bonds is for a lawful object within its corporate purpose and is necessary, appropriate for and consistent with the proper performance of its service to the public. We further find that the financing will not impair the utility's ability to perform its service and is reasonably

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<sup>2</sup> The Annual Report of North Nelson Water District to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2009 at 23.

<sup>3</sup> Application, Exhibit C, Debt Service Comparison.

necessary and appropriate for such purpose. The financing should therefore be approved.

IT IS THEREFORE ORDERED that:

1. North Nelson's motion to deviate from 807 KAR 5:001, Section 6, is granted.

2. North Nelson is authorized to enter an Assistance Agreement with KRWFC to borrow up to \$1,765,500<sup>4</sup> to refinance the 1998 Series Bonds but only under such terms and conditions as will produce both positive gross savings and net present value savings.

3. If the actual terms and conditions of the KRWFC loan differ from those set forth in the application, North Nelson shall, within 30 days of issuing the KRWFC loan authorized in this proceeding, file amortization schedules and workpapers with the Commission showing the actual gross savings and net present value savings that resulted from the refinancing of the 1998 Series Bonds.

4. North Nelson shall, within 30 days of obtaining the KRWFC loan authorized herein, file a statement with the Commission setting forth the date the loan was obtained, the actual interest rates, and the principal amount.

5. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in the application.

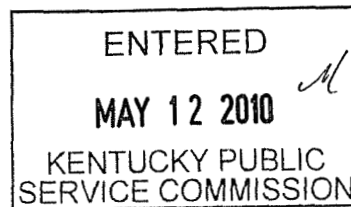
6. Any documents filed in the future pursuant to ordering paragraph 2, 3, or 4 herein shall reference this case number and shall be retained in the utility's general correspondence file.

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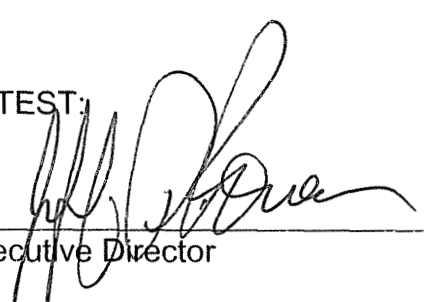
<sup>4</sup>  $\$1,605,000 \times 10\% = \$160,500 + \$1,605,000 = \$1,765,500.$

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

By the Commission



ATTEST:

  
Executive Director

Steven R Allgeier  
General Manager  
North Nelson Water District  
5555 Louisville Road  
P. O. Box 25  
Cox's Creek, KY 40013-0025

Honorable W. Randall Jones  
Attorney at Law  
Rubin & Hays  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, KY 40202